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CHINA SMARTPAY GROUP HOLDINGS LIMITED

中國支付通集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 8325)

ANNUAL RESULT ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2014

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

This announcement, for which the directors (the “Directors”) of China Smartpay Group Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive; and there are no other matters the omission of which would make any statement herein or this announcement misleading.

ANNUAL RESULTS

The board of Directors (the “Board”) of the Company is pleased to announce the annual consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 March 2014, together with the comparative figures for the corresponding period in 2013.

CONSOLIDATED INCOME STATEMENT

Year ended 31 March 2014

	<i>Note</i>	2014 <i>HK\$</i>	2013 <i>HK\$</i>
Revenue	4	148,474,617	84,575,255
Cost of services rendered and cost of goods sold		<u>(112,536,193)</u>	<u>(57,356,508)</u>
Gross profit		35,938,424	27,218,747
Other income	5	128,226	60,014
General administrative expenses		(34,427,393)	(14,129,846)
Selling and distribution costs		(2,900,247)	(2,883,669)
Finance costs	6	<u>(36,587)</u>	<u>(33,634)</u>
(Loss) Profit before taxation	6	(1,297,577)	10,231,612
Income tax expenses	7	<u>(6,403,453)</u>	<u>(5,166,001)</u>
(Loss) Profit for the year		<u>(7,701,030)</u>	<u>5,065,611</u>
Attributable to:			
Equity holders of the Company		(17,762,126)	(499,858)
Non-controlling interests		<u>10,061,096</u>	<u>5,565,469</u>
		<u>(7,701,030)</u>	<u>5,065,611</u>
Loss per share for loss attributable to equity holders of the Company			
Basic and diluted	8	<u>(2.72) HK cents</u>	<u>(0.08) HK cents</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2014

	2014	2013
	<i>HK\$</i>	<i>HK\$</i>
(Loss) Profit for the year	(7,701,030)	5,065,611
Other comprehensive (loss) income		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange difference on translation of foreign subsidiaries	<u>(1,502,215)</u>	<u>882,508</u>
Total comprehensive (loss) income for the year	<u>(9,203,245)</u>	<u>5,948,119</u>
Attributable to:		
Equity holders of the Company	(18,848,219)	170,344
Non-controlling interests	<u>9,644,974</u>	<u>5,777,775</u>
	<u>(9,203,245)</u>	<u>5,948,119</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2014

	<i>Note</i>	2014 <i>HK\$</i>	2013 <i>HK\$</i>
Non-current assets			
Property, plant and equipment		3,319,511	3,456,031
Goodwill		988,256	–
		<u>4,307,767</u>	<u>3,456,031</u>
Current assets			
Trade and other receivables	<i>10</i>	123,641,125	64,582,032
Restricted bank balances		9,026,020	6,498,555
Cash and cash equivalents		47,141,012	23,009,059
		<u>179,808,157</u>	<u>94,089,646</u>
Current liabilities			
Trade and other payables	<i>11</i>	38,630,787	76,388,295
Tax payables		1,842,725	2,075,005
		<u>40,473,512</u>	<u>78,463,300</u>
Net current assets		<u>139,334,645</u>	<u>15,626,346</u>
Total assets less current liabilities		<u>143,642,412</u>	<u>19,082,377</u>
Non-current liabilities			
Deferred tax liabilities		658,000	177,000
Other long-term liabilities	<i>12</i>	393,017	433,994
		<u>1,051,017</u>	<u>610,994</u>
NET ASSETS		<u>142,591,395</u>	<u>18,471,383</u>
Capital and reserves			
Share capital	<i>13</i>	7,200,000	6,000,000
Reserves		127,254,289	10,242,387
Equity attributable to equity holders of the Company		<u>134,454,289</u>	<u>16,242,387</u>
Non-controlling interests		<u>8,137,106</u>	<u>2,228,996</u>
TOTAL EQUITY		<u>142,591,395</u>	<u>18,471,383</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2014

	Attributable to equity holders of the Company									
	Share capital HK\$	Share premium HK\$	Capital reserve HK\$	Exchange reserve HK\$	Statutory reserve HK\$	Share options reserve HK\$	Accumulated losses HK\$	Total HK\$	Non-controlling interests HK\$	Total equity HK\$
At 1 April 2012	6,000,000	14,558,608	6,996,322	(248,891)	-	-	(12,162,413)	15,143,626	1,667,718	16,811,344
Profit for the year	-	-	-	-	-	-	(499,858)	(499,858)	5,565,469	5,065,611
Other comprehensive income:										
<i>Items that may be reclassified subsequently to profit or loss:</i>										
Exchange difference on translation of foreign subsidiaries	-	-	-	670,202	-	-	-	670,202	212,306	882,508
Total comprehensive income for the year	-	-	-	670,202	-	-	(499,858)	170,344	5,777,775	5,948,119
Transaction with owners:										
<i>Contribution and distributions:</i>										
Recognition of equity-settled share-based payment expenses	-	-	-	-	-	928,417	-	928,417	-	928,417
Transfer to statutory reserve	-	-	-	-	766,101	-	(766,101)	-	-	-
Capital contributions by non-controlling interests on the ordinary share capital of a non-wholly owned subsidiary	-	-	-	-	-	-	-	-	124,229	124,229
Dividend paid to non-controlling interests of a non-wholly owned subsidiary	-	-	-	-	-	-	-	-	(5,340,726)	(5,340,726)
At 31 March 2013	6,000,000	14,558,608	6,996,322	421,311	766,101	928,417	(13,428,372)	16,242,387	2,228,996	18,471,383
At 1 April 2013	6,000,000	14,558,608	6,996,322	421,311	766,101	928,417	(13,428,372)	16,242,387	2,228,996	18,471,383
Loss for the year	-	-	-	-	-	-	(17,762,126)	(17,762,126)	10,061,096	(7,701,030)
Other comprehensive loss:										
<i>Items that may be reclassified subsequently to profit or loss:</i>										
Exchange difference on translation of foreign subsidiaries	-	-	-	(1,086,093)	-	-	-	(1,086,093)	(416,122)	(1,502,215)
Total comprehensive loss for the year	-	-	-	(1,086,093)	-	-	(17,762,126)	(18,848,219)	9,644,974	(9,203,245)
Transaction with owners:										
<i>Contribution and distributions:</i>										
Recognition of equity-settled share-based payment expenses	-	-	-	-	-	9,499,133	-	9,499,133	-	9,499,133
Shares issue upon placing (Note 13 (i))	1,200,000	119,223,471	-	-	-	-	-	120,423,471	-	120,423,471
Dividend paid to non-controlling interests of a non-wholly owned subsidiary	-	-	-	-	-	-	-	-	(6,599,347)	(6,599,347)
<i>Change in ownership interests:</i>										
Disposal of equity interest in a subsidiary	-	-	-	-	-	-	7,137,517	7,137,517	2,862,483	10,000,000
At 31 March 2014	7,200,000	133,782,079	6,996,322	(664,782)	766,101	10,427,550	(24,052,981)	134,454,289	8,137,106	142,591,395

NOTES:

1. CORPORATE INFORMATION

China Smartpay Group Holdings Limited (formerly known as Oriental City Group Holdings Limited) (the “Company”) was incorporated in the Cayman Islands on 12 December 2007 as an exempted company with limited liability. The Company’s shares are listed on the Growth Enterprise Market (the “GEM”) of the Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The Company’s registered office is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Company is an investment holding company and the Group is principally engaged in the card acceptance business in Thailand and the cross-border e-commerce solution business.

2. PRINCIPAL ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial statements also comply with the applicable disclosure requirements under the Rules Governing the Listing of Securities on the GEM Listing Rules.

The consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2013 consolidated financial statements except for the adoption of the new/revised HKFRSs that are relevant to the Group and effective from the current year which had no significant effects on the results and financial position of the Group and the Company for the current and prior years.

Future changes in HKFRSs

At the date of authorisation of these consolidated financial statements, the HKICPA has issued a number of new/revised HKFRSs that are not yet effective for the current year, which the Group has not early adopted.

Amendments to HKAS 27 (2011), HKFRS 10 and HKFRS 12	<i>Investment Entities¹</i>
Amendments to HKAS 32	<i>Presentation – Offsetting Financial Assets and Financial Liabilities¹</i>
Amendments to HKAS 36	<i>Recoverable Amount Disclosures for Non-Financial Assets¹</i>
Amendments to HKAS 39	<i>Novation of Derivatives and Continuation of Hedge Accounting¹</i>
HK(IFRIC) – Int 21	<i>Levies¹</i>
Amendments to HKAS 19 (2011)	<i>Defined Benefit Plans – Employee Contributions²</i>
Various HKFRSs	<i>Annual Improvements Project – 2010-2012 Cycle³</i>
Various HKFRSs	<i>Annual Improvements Project – 2011-2013 Cycle³</i>
HKFRS 14	<i>Regulatory Deferral Accounts⁴</i>
Amendments to HKAS 16 and HKAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation⁴</i>
Amendments to HKFRS 11 HKFRS 9	<i>Accounting for Acquisitions of Interests in Joint Operations⁴</i> <i>Financial Instruments⁵</i>
Amendments to HKFRS 9 and HKFRS 7	<i>Transition Disclosure of HKFRS 9⁵</i>
Amendments to HKFRS 9, HKFRS 7 and HKAS 39	<i>Financial Instruments (Hedge Accounting and Amendments to HKFRS 9, HKFRS 7 and HKAS 39)⁵</i>

- ¹ Effective for annual periods beginning on or after 1 January 2014
- ² Effective for annual periods beginning on or after 1 July 2014
- ³ Effective for annual periods beginning on or after 1 July 2014, except for certain amendments which are effective prospectively for relevant transactions occurred on or after 1 July 2014
- ⁴ Effective for annual periods beginning on or after 1 January 2016
- ⁵ No mandatory effective date but is available for adoption

The directors are in the process of assessing the possible impact on the future adoption of these new/revised HKFRSs, but are not yet in a position to reasonably estimate their impact on the Group's consolidated financial statements.

Basis of measurement

The measurement basis used in the preparation of these consolidated financial statements is historical cost.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and all of its subsidiaries as at 31 March each year. The financial statements of the subsidiaries are prepared for the same reporting year as that of the Company using consistent accounting policies.

All intra-group balance, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full. The results of subsidiaries are consolidated from the date on which the Group obtains control and continue to be consolidated until the date when such control ceased.

Non-controlling interests are presented, separately from equity holders of the Company, in consolidated income statement and the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position. The non-controlling interests in the acquiree, that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in event of liquidation, are measured initially either at fair value or at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. This choice of measurement basis is made on an acquisition-by-acquisition basis. Other types of non-controlling interests are initially measured at fair value, unless another measurement basis is required by HKFRSs.

Allocation of total comprehensive income

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the Company and to the non-controlling interests. Total comprehensive income is attributed to the equity holders of the Company and the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in ownership interest

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the equity holders of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest determined at the date when the control is lost and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests at the date when the control is lost. The amounts previously recognised in other comprehensive income in relation to the disposed subsidiary are accounted for on the same basis as would be required if the holding company had directly disposed of the related assets or liabilities. Any investment retained in the former subsidiary and any amounts owed by or to the former subsidiary are accounted for as a financial asset, associate, joint venture or others as appropriate from the date when the control is lost.

Critical accounting estimates and judgements

Critical judgements made in applying accounting policies – Subsidiary

According to the relevant laws and regulations in Thailand, in particular the Foreign Business Act (the “FBA”), Oriental City Group (Thailand) Company Limited (“OCG Thailand”), being a company engaged in the provision for card acceptance business in Thailand, must be owned as to more than 50% by Thai citizens.

With reference to the preference shares structure arrangement (the “Preference Shares Structure”) of OCG Thailand, majority of OCG Thailand’s issued capital, including ordinary and preference share capital, is owned by Thai citizens. However, the Company, through its wholly owned subsidiary, Oriental City Group Thailand Limited, is able to exercise more than 50% voting power in any shareholders’ meeting of OCG Thailand.

The Company’s legal advisors as to Thai laws have confirmed that the Preference Shares Structure is in compliance with all existing laws and regulations in Thailand, in particular the FBA. In light of no previous supreme court judgement ruling the invalidity of similar capital structure of OCG Thailand as opposed to the FBA and related interpretations, after due and careful consideration of all relevant factors together with the legal opinion obtained, the management assesses and concludes that the Preference Shares Structure is valid, legal and enforceable in Thailand.

Based upon the management’s judgement on the Preference Shares Structure, the Company accounts for OCG Thailand as a subsidiary on the ground that it is able to control the operations of OCG Thailand by exercising its majority voting power in any shareholders’ meeting of OCG Thailand.

3. SEGMENT REPORTING

The Directors have been identified as the chief operating decision makers to evaluate the performance of operating segments and to allocate resources to those segments. Based on risks and returns and the Group’s internal financial reporting, the Directors consider that the operating segments of the Group comprise:

- (i) card acceptance business in Thailand; and
- (ii) cross-border e-commerce solution business.

In addition, the Directors consider that the place of domicile for the Group is Hong Kong, where the central management and control is located.

Segment results, which are the measures reported to the chief operating decision makers for the purposes of resources allocation and assessment of segment performance, represent the profit earned or loss incurred by each segment without allocation of interest and other income, finance costs, general administrative expenses incurred by corporate office and income tax.

In determining the Group's geographical segments, revenue is attributed to the segments based on the location where services are provided, assets and capital expenditure are attributed to the segments based on the location of the assets. The geographical segment information is reflected within operating segment information as the Group's two distinctive business activities are provided in two different locations.

Revenue from customers contributing over 10% of the total sales of the Group is also reflected within the operating segment information.

Year ended 31 March 2014

	Card acceptance business HK\$	Cross-border e-commerce solution business HK\$	Consolidated HK\$
Segment revenue			
Major customer A	24,097,050	–	24,097,050
Major customer B	23,884,564	–	23,884,564
Major customer C	–	34,149,983	34,149,983
Other customers	66,343,020	–	66,343,020
	<u>114,324,634</u>	<u>34,149,983</u>	<u>148,474,617</u>
Segment results	<u>25,490,626</u>	<u>4,341,834</u>	29,832,460
Unallocated interest and other income			128,226
Unallocated finance costs			(36,587)
Unallocated other expenses			<u>(31,221,676)</u>
Loss before taxation			(1,297,577)
Income tax expenses			<u>(6,403,453)</u>
Loss for the year			<u>(7,701,030)</u>

Year ended 31 March 2013

	Card acceptance business <i>HK\$</i>	Cross-border e-commerce solution business <i>HK\$</i>	Consolidated <i>HK\$</i>
Segment revenue			
Major customer A	19,550,633	–	19,550,633
Major customer B	18,339,746	–	18,339,746
Other customers	46,684,876	–	46,684,876
	<u>84,575,255</u>	<u>–</u>	<u>84,575,255</u>
Segment results	<u>19,551,034</u>	<u>–</u>	19,551,034
Unallocated interest and other income			60,014
Unallocated finance costs			(33,634)
Unallocated other expenses			<u>(9,345,802)</u>
Profit before taxation			10,231,612
Income tax expenses			<u>(5,166,001)</u>
Profit for the year			<u>5,065,611</u>

An analysis of the Group's assets and liabilities by operating segments is set out below:

At 31 March 2014

	Card acceptance business <i>HK\$</i>	Cross-border e-commerce solution business <i>HK\$</i>	Unallocated <i>HK\$</i>	Consolidated <i>HK\$</i>
Property, plant and equipment	2,890,435	159,619	269,457	3,319,511
Goodwill	–	988,256	–	988,256
Other assets	40,252,794	41,928,088	97,627,275	179,808,157
Total assets	<u>43,143,229</u>	<u>43,075,963</u>	<u>97,896,732</u>	<u>184,115,924</u>
Total liabilities	<u>29,582,552</u>	<u>9,291,568</u>	<u>2,650,409</u>	<u>41,524,529</u>
Additional segment information:				
Depreciation	984,651	6,422	105,796	1,096,869
Equity-settled share-based payment expenses	–	–	9,499,133	9,499,133
Additions to property, plant and equipment	<u>1,016,849</u>	<u>167,479</u>	<u>76,547</u>	<u>1,260,875</u>

At 31 March 2013

	Card acceptance business <i>HK\$</i>	Cross-border e-commerce solution business <i>HK\$</i>	Unallocated <i>HK\$</i>	Consolidated <i>HK\$</i>
Property, plant and equipment	3,157,428	–	298,603	3,456,031
Other assets	83,790,947	–	10,298,699	94,089,646
Total assets	86,948,375	–	10,597,302	97,545,677
Total liabilities	77,568,244	–	1,506,050	79,074,294
Additional segment information:				
Depreciation	911,983	–	92,658	1,004,641
Equity-settled share-based payment expenses	–	–	928,417	928,417
Additions to property, plant and equipment	3,327,888	–	12,987	3,340,875

4. REVENUE

Revenue, which represents transaction fee income and foreign exchange rate discount income from card acceptance business and sales income from cross-border e-commerce solution business, is analysed by category as follows:

	2014 <i>HK\$</i>	2013 <i>HK\$</i>
Card acceptance transaction fee income	90,227,584	65,024,622
Foreign exchange rate discount income	24,097,050	19,550,633
Sales of goods from cross-border e-commerce solution business	34,149,983	–
	148,474,617	84,575,255

5. OTHER INCOME

	2014 <i>HK\$</i>	2013 <i>HK\$</i>
Bank interest income	128,226	60,014

6. (LOSS) PROFIT BEFORE TAXATION

	2014	2013
This is stated after charging:	<i>HK\$</i>	<i>HK\$</i>
(a) Finance costs		
Finance costs on other long-term liabilities	<u>36,587</u>	<u>33,634</u>
(b) Staff costs, including key management remuneration		
Salaries, allowances and other short-term employee benefits	8,663,431	6,584,533
Contributions to defined contribution plans	207,691	95,882
Equity-settled share-based payment expenses	<u>9,499,133</u>	<u>928,417</u>
	<u>18,370,255</u>	<u>7,608,832</u>
(c) Key management remuneration, including directors' remuneration		
Salaries, allowances and other short-term employee benefits	4,125,303	4,719,628
Contributions to defined contribution plans	63,185	64,988
Equity-settled share-based payment expenses	<u>6,330,451</u>	<u>928,417</u>
	<u>10,518,939</u>	<u>5,713,033</u>
(d) Other items		
Auditor's remuneration	406,521	371,745
Cost of goods sold	30,632,833	–
Depreciation of property, plant and equipment	1,096,869	1,004,641
Operating lease charges on premises	<u>1,722,109</u>	<u>1,217,321</u>

7. TAXATION

	2014 <i>HK\$</i>	2013 <i>HK\$</i>
Current tax		
Hong Kong Profits Tax	716,070	–
Thailand Enterprise Income Tax	4,612,765	4,361,893
Withholding tax on dividend declared by a non-wholly owned subsidiary	<u>593,618</u>	<u>801,108</u>
	5,922,453	5,163,001
Deferred tax		
Withholding tax on undistributed earnings of a non-wholly owned subsidiary	<u>481,000</u>	<u>3,000</u>
Income tax expenses for the year	<u><u>6,403,453</u></u>	<u><u>5,166,001</u></u>

(i) Hong Kong Profits Tax

Hong Kong Profits Tax has been provided at the rate of 16.5% on the Group's estimated assessable profits arising from Hong Kong for the year ended 31 March 2014. However, the Group had no assessable profits arising in or derived from Hong Kong for the year ended 31 March 2013.

(ii) Income taxes outside Hong Kong

The Company and its subsidiaries established in the BVI are exempted from the payment of income tax in the Cayman Islands and the BVI respectively.

OCG Thailand is subject to Thailand enterprise income tax at 20% (2013: 23%).

Oriental City Group (Hainan) Services Limited ("OCG China"), being a foreign-invested enterprise established in a special economic zone of the People's Republic of China (the "PRC"), is subject to PRC enterprise income tax at 25%. However, no income tax has been provided as OCG China incurred losses for taxation purposes for the years ended 31 March 2014 and 2013.

Dividends payable by a foreign invested enterprise in the PRC or Thailand to its foreign investors are subject to a 10% withholding tax, unless any foreign investor's jurisdiction of incorporation has a tax treaty with the PRC or Thailand that provides for a different withholding arrangement.

Reconciliation of income tax expenses

	2014 <i>HK\$</i>	2013 <i>HK\$</i>
(Loss) Profit before taxation	<u>(1,297,577)</u>	<u>10,231,612</u>
Income tax at applicable tax rate	(2,397,629)	2,185,935
Non-deductible expenses	7,653,558	2,085,797
Unrecognised tax losses	48,282	26,388
Withholding tax on dividend declared by a non-wholly owned subsidiary	593,618	801,108
Withholding tax on undistributed earnings of a non-wholly owned subsidiary	481,000	3,000
Others	<u>24,624</u>	<u>63,773</u>
Income tax expenses for the year	<u>6,403,453</u>	<u>5,166,001</u>

The applicable tax rate is the weighted average of rates prevailing in the territories in which the Group's entities operate against profit or loss before taxation. The change in applicable tax rate is caused by changes in the taxable results of the Group's subsidiaries in the respective countries.

8. LOSS PER SHARE

Basic loss per share is calculated based on the consolidated loss for the year ended 31 March 2014 attributable to the equity holders of the Company of HK\$17,762,126 (2013: HK\$499,858) and on the weighted average number of 651,945,205 ordinary shares (2013: 600,000,000 ordinary shares) in issue during the year ended 31 March 2014.

Diluted loss per share is the same as basic loss per share as the effect of potential ordinary shares is anti-dilutive during the years ended 31 March 2014 and 2013.

9. DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 March 2014 (2013: Nil).

10. TRADE AND OTHER RECEIVABLES

	2014 <i>HK\$</i>	2013 <i>HK\$</i>
Trade receivables	26,187,346	62,956,497
Other receivables		
Deposits on investment	50,000,000	–
Deposits, prepayments and other debtors	47,453,779	1,625,535
	<u>123,641,125</u>	<u>64,582,032</u>

All trade receivables are aged within 30 days based on the invoice date.

The Group allows a credit period up to 90 days to its trade debtors and the trade debtors usually settle the outstanding balance within 90 days from the billing date. As at the end of the reporting period, all trade receivables were fully performing.

Included in trade and other receivables is the following amount denominated in a currency other than the functional currency of the Group's entities:

	2014 <i>HK\$</i>	2013 <i>HK\$</i>
United States Dollars ("US\$")	<u>17,399,611</u>	<u>62,042,652</u>

11. TRADE AND OTHER PAYABLES

	2014 <i>HK\$</i>	2013 <i>HK\$</i>
Trade payables	34,412,770	68,557,428
Other payables		
Accrued charges and other payables	4,218,017	7,830,867
	<u>38,630,787</u>	<u>76,388,295</u>

All trade payables were aged within 30 days at the end of the reporting period.

The creditors allow a credit period up to 30 days to the Group.

12. OTHER LONG-TERM LIABILITIES

Other long-term liabilities represent preference shares issued by OCG Thailand.

At the end of the reporting period, the Group had an outstanding amount due to a non-controlling shareholder of Thai Baht (“Baht”) 1,650,000 (equivalent to HK\$393,017) (2013: Baht 1,650,000 (equivalent to HK\$433,994)) in respect of the issued and paid up preference share capital of OCG Thailand, which carries cumulative dividend at 9% per annum. In addition, the relevant dividend on the preference share capital of OCG Thailand was fully settled before the end of reporting period.

13. SHARE CAPITAL

	2014		2013	
	Number of shares	Nominal value HK\$	Number of shares	Nominal value HK\$
Authorised	<u>2,000,000,000</u>	<u>20,000,000</u>	<u>2,000,000,000</u>	<u>20,000,000</u>
Issued and fully paid				
At beginning of the year	600,000,000	6,000,000	600,000,000	6,000,000
Shares issued upon placing (note (i))	<u>120,000,000</u>	<u>1,200,000</u>	—	—
At end of the reporting period	<u>720,000,000</u>	<u>7,200,000</u>	<u>600,000,000</u>	<u>6,000,000</u>

Note:

- (i) In October 2013, a total number of 120,000,000 ordinary shares were issued via placing at a price of HK\$1.03 per share. The Company raised proceeds of HK\$123,600,000 before expenses, to finance the Group’s future potential investments or otherwise as general working capital of the Group. The expenses of approximately HK\$3,176,529 arising from the placing were recognised in the share premium account of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

During the year ended 31 March 2014, apart from the card acceptance transaction fee income and the foreign exchange rate discount income generated from the card acceptance business in Thailand, the Group also generated income from the cross-border e-commerce solution business from its wholly-owned subsidiary acquired in January 2014.

For the card acceptance business in Thailand, there was a growth in the transaction volume handled by the Group for the first half of the year ended 31 March 2014. However, with the political instability commenced from early November 2013; the transaction volume handled by the Group for the second half of the year ended 31 March 2014 decreased by approximately 16% when compared with the corresponding period in last year. However, with the significant growth in revenue for the first six months, the revenue for the year ended 31 March 2014 still outperformed the records in last year by approximately 35%.

The Group's cross-border e-commerce solution business provided one-stop solution to connect the PRC e-commerce merchants with overseas buyers and covered all aspects of international e-commerce, including product sourcing and distribution, cross-border payment, logistics, packaging, human resources outsourcing, advertising, brand management etc. Such one-stop solution is especially appealing for medium-, small- and even mini-sized e-commerce merchants who lack the resources to build e-commerce infrastructure. Since acquiring this new area of business in January 2014, the Group had benefited from the increasing volume of cross-border e-commerce trading from businesses to businesses ("B2B"), from businesses to consumers ("B2C") and from consumers to consumers ("C2C"). The Group also employed its own e-commerce solution to engage in cross-border trading businesses.

Financial Review

Revenue

In addition to the card acceptance transaction fee income and the foreign exchange rate discount income generated from the card acceptance business in Thailand, revenue for the Group for the year ended 31 March 2014 was also generated from its cross-border e-commerce solution business which was carried out by a new subsidiary acquired by the Group in January 2014. Total revenue of the Group for the year ended 31 March 2014 amounted to approximately HK\$148.47 million, of which approximately HK\$114.32 million was attributed from the card acceptance business in Thailand and approximately HK\$34.15 million was attributed from the cross-border e-commerce solution business respectively.

Resulting from the increase in the number of transactions handled by the Group in Thailand throughout the year, transaction volume handled by the Group for the year ended 31 March 2014 amounted to approximately Baht 27,748 million (equivalent to approximately HK\$6,836 million), representing an increase of approximately 45% to the record in last year. As such, revenue of the Group from the card acceptance business in Thailand for the year ended 31 March 2014 amounted to approximately HK\$114.32 million, represented an increase of approximately 35% as compared with that of approximately HK\$84.58 million in the previous year.

The income generated from the cross-border e-commerce solution business was driven by the increasing volume of cross-border e-commerce trading activities. The revenue of e-commerce business for the year amounted to approximately HK\$34.15 million, representing 23% of total revenue of the Group.

Cost of Services Rendered/Cost of Goods Sold

Cost of service rendered comprised the information network cost and license fee cost of the card acceptance business in Thailand and the cost of goods sold for the cross-border e-commerce solution business. The total cost of services rendered and cost of goods sold for the year ended 31 March 2014 increased by approximately 96% to approximately HK\$112.54 million as compared with those as recorded in last year, which is attributable to the increase in the information network cost and license fee cost of the card acceptance business in Thailand resulting from the increase in the transaction volume handled by the Group and the costs incurred by the new subsidiary of the Group in respect of its cross-border e-commerce solution business.

General Administrative Expenses

The general administrative expenses of the Group for the year ended 31 March 2014 were approximately HK\$34.43 million, representing an increase of approximately 144% from that of last year. The increase was primarily attributable to the increase in the share based payment expenses relating to the share options granted amounted to approximately HK\$9.5 million (2013: approximately HK\$1 million) and the legal and professional expenses incurred for the possible acquisitions and investments amounted to approximately HK\$4.5 million (2013: approximately HK\$1.6 million) during the year ended 31 March 2014.

Selling and Distribution Costs

The selling and distribution costs for the year ended 31 March 2014 amounted to approximately HK\$2.90 million, which was similar to the record for last year.

Finance Costs

The finance costs for the years ended 31 March 2014 and 2013 represented the 9% dividend payable to a non-controlling shareholder in respect of the issue and paid up preference share capital of OCG Thailand.

Loss for the Year

During the year ended 31 March 2014, the Group reported a net loss attributable to equity holders of the Company amounted to approximately HK\$17.76 million, representing an increase of approximately 35 times over the last year. Loss per share was approximately 2.72 HK cents compared with 0.08 HK cents recorded in last year.

Liquidity and Financial Resources

The Group financed its operation through internally generated cash flows, public fund raisings and other borrowings. As at 31 March 2014, the Group's other long-term borrowings amounted to Baht 1,650,000 (equivalent to approximately HK\$393,000) due to a non-controlling shareholder, representing the issued and paid up preference share capital of OCG Thailand, which carries cumulative dividend at 9% per annum and such dividend was recorded as finance costs. The gearing ratio of the Group, calculated as a ratio of total borrowings to total assets, for years ended 31 March 2014 and 31 March 2013 were approximately 0.21% and 0.44% respectively.

As at 31 March 2014, the Group had net current assets of approximately HK\$139.33 million (2013: HK\$15.63 million). Current ratio as at 31 March 2014 was 4.44 (2013: 1.20). The cash and cash equivalents of the Group as at 31 March 2014 were approximately HK\$47.14 million (2013: approximately HK\$23.01 million).

On 25 October 2013, the Company completed the placing of 120,000,000 placing shares at a price of HK\$1.03 per placing share. The net proceeds from the placing, after deducting related placing commission and other related expenses in connection with the Placing, is approximately HK\$119.7 million. Of these net proceeds, around HK\$50 million was used as deposit for the Possible Investment (as mentioned below), and the remaining balance of approximately HK\$ 69.7 million was used as general working capital.

On 11 April 2014, after the end of the reporting period, the Company completed the subscription of 144,000,000 placing shares at a price of HK\$1.46 per placing share with net proceeds, after deducting related placing commission and other related expenses, of approximately HK\$203.3 million. The Company intends to apply the aggregate net proceeds from the placing to finance the Possible Investment and/or Possible Acquisition (as mentioned below) (if materialised) or towards other lucrative business and investment opportunities which may arise in the future or otherwise as general working capital of the Group.

Other receivables mainly represented (i) the deposit on investment paid in respect of the Possible Investment (as mentioned below), please refer to the announcements dated 5 November 2013 and 27 December 2013 respectively for details; and (ii) the prepayment of approximately HK\$43,000,000 to suppliers in respect of the cross-border e-commerce solution business, as included in deposits, prepayments and other debtors.

Capital Structure

Total equity attributable to equity holders of the Company amounted to approximately HK\$134.45 million as at 31 March 2014 (2013: approximately HK\$16.24 million).

Foreign Exchange Exposure

The Group mainly operates in Hong Kong, the PRC and Thailand with majority of business transactions being denominated and settled in Hong Kong dollars (“HK\$”), Renminbi (“RMB”) and Baht, which are the functional currencies of the relevant subsidiaries. The Group’s trade receivables arising from the operation of card acceptance business in Thailand are mainly denominated in US\$. The Directors and senior management have monitored the related foreign currency risk exposure closely. Pursuant to a written foreign currency hedging policy approved by the Directors, the Group will enter into foreign currency forward contracts should the needs arise. As at 31 March 2014, the Group had outstanding foreign currency forward contracts for the exchange of US\$ with Baht of US\$1,000,000 (equivalent to approximately HK\$7,758,000) (2013: US\$8,355,000, equivalent to approximately HK\$65,172,000). No material fair value gain or loss has been recognised for the foreign currency forward contracts and no hedging accounting has been adopted. The Directors and senior management will continue to monitor the foreign exchange exposure and will consider other applicable derivatives when necessary. Save as disclosed above, the Group did not have other derivatives for hedging against the foreign exchange rate risk as 31 March 2014.

Results and Dividends

For the year ended 31 March 2014 the Group recorded a revenue of approximately HK\$148.47 million (2013: approximately HK\$84.58 million) and a loss attributable to equity holders of the Company of approximately HK\$17.76 million as compared with approximately HK\$0.50 million for the previous year. The loss per share was 2.72 HK cents (2013: 0.08 HK cents).

The Board does not recommend the payment of a final dividend for the year ended 31 March 2014 (2013: Nil).

Employees and Remuneration Policy

As at 31 March 2014, the Group had a total staff of 29 (2013: 16) of whom 11 were based in Hong Kong, 11 were based in Thailand and the remaining 7 were based in the PRC. The Group develops its human resources policies and procedures based on performance, merit and market conditions. The benefits provided by the Group to its employees include discretionary bonuses, medical schemes and share options. Discretionary bonus is linked to the performance of the Group as well as individual performance. The Group also arranges its staff for training to enhance their skills and knowledge.

Material Acquisitions, Disposals and Significant Investment

Save as disclosed in this announcements, the Group has made no other material acquisitions, disposals or any significant investments during the year ended 31 March 2014.

Capital Commitments

As at 31 March 2014, the Group had commitments contracted for but not provided in the consolidated financial statements amounting to RMB20 million (equivalent to approximately HK\$25 million) in respect of the capital injection of the Shanghai Koolcloud Technology Co. Limited (“Shanghai Koolcloud”) (2013: Nil).

Charges on Assets

As at 31 March 2014, the Group did not have any charges on its assets.

Contingent Liabilities

As at 31 March 2014, the Group did not have any significant contingent liabilities.

BUSINESS OUTLOOK

Expanding from its core business in electronic payment, trading and settlement platforms, the Group has been continuously exploring new business opportunities in order to improve the Group’s future operating results and enhance the competitiveness.

The Group will gradually shift the strategic focus to payment business in the PRC (the “PRC payment business”). The Group will base the PRC payment business on prepaid payment, internet payment, mobile payment and online-offline (the “O2O”) services. The PRC payment business will ultimately enable the Group to build a large-scale real-name customer information database and to offer comprehensive personal financial services to the customers.

As a convenient, secure and interactive payment method, the prepaid payment market in the PRC (the “PRC prepaid market”) offers immense potential. Based on the information available to the Board, the total market size of prepaid cards in the PRC reached RMB2 trillion in 2012, and will grow to RMB3 trillion in 2015 with a compound annual growth rate of 15%. However, the prepaid market is still at a pre-mature stage of development, and is marked by under-innovation, regional over-competition and tightening regulations. As industry consolidation looms large, the Board believes that only the contender with strengths in all of the four attributes, namely, the license, the team, the technology and the acceptance network, can prevail. To succeed, the Group is building strong capability in all of these four attributes.

The pre-requisite for the PRC payment business is to obtain the license to engage in prepaid and internet payment services on a nationwide basis. To gain this strategic license, the Group will focus on completing the Possible Investment of the License Company (as detailed/defined by the announcement dated 4 November 2013). The Group will also push for the conclusion of the Possible Acquisition (as defined by the announcement dated 26 February 2013), the target company of which is a major prepaid card company in the PRC. Combined with the License Company, this Possible Acquisition can enable the Group to become a major player in the PRC prepaid market. In the meantime, the Group is actively negotiating with holders of other types of payment licenses for potential partnership and/or investment in order to strengthen the first-mover advantage of the Group after completion of the Possible Investment.

The second focus of the PRC payment business is recruitment of leading talents and industry veterans. Over the past year, the Group has already assembled some of the top professionals in China’s payment industry. The Company appointed Mr. Fung Weichang (“Mr. Fung”) as an executive Director and the chief executive officer of the Company in September 2013 and November 2013 respectively. Mr. Fung had worked for MasterCard Incorporated from October 1992 to December 2008 and his last position was executive vice president and general manager of the Greater China region for MasterCard Incorporated, Asia Pacific Region. From January 2009 to December 2010, Mr. Fung was the senior consultant of MasterCard Incorporated, Asia Pacific Region. In June 2014, the Group appointed Mr. Xiong Wensen (“Mr. Xiong”) as an executive Director and the president of the Company. From October 2008 up to May 2014, Mr. Xiong had been the vice president and the senior vice president, and the director of 通聯支付網絡服務股份有限公司 (Allinpay Network Service Co. Ltd.*), one of the largest payment acceptance agencies in the PRC. Mr. Xiong was also once the president of 開聯信息技術有限公司 (Open Union Information Technology Co. Ltd.*), Other key appointments include: Mr. Chen Lie, a former vice general manager of e-commerce at Dalian Wanda Group and former director of product development at Alibaba Group, as Chief Operating Officer; Mr. Liu Jie (“Mr. Liu”) as Vice President. Mr. Liu founded 大連先鋒商務服務有限公司 (Dalian UCF Business Services Co. Ltd.) (“Dalian UCF”), where he led the efforts to obtain prepaid card and internet payment services license granted by the People’s Bank of China, before Credit China Holdings Limited later acquired Dalian UCF. Earlier, he served as a senior manager at 聯動優勢科技有限公司 (Union Mobile Pay Co. Ltd.), a joint venture between China UnionPay and China Mobile. The Group will continue to make appointments in order to build a first-class management team.

* for identification purposes only

The Group has also recruited a strong implementation team from leading payment companies in order to build an advanced and proprietary information technology system. This system will not only satisfy the Group's future demands for prepaid card issuance and acceptance, but will also enable rapid deployment of internet payment, mobile payment, loyalty and rewards management and big-data analysis. Further, in March 2014, the Group entered into the Capital Injection Agreement to acquire 22.22% interest in Shanghai Koolcloud, which is a manufacturer and operator of cutting-edge smart POS terminal technology. The smart POS terminal technology accepts almost all payment technologies on one single platform, and can provide diversified services for merchants and consumers with third-party applications. As a result, this technology is an ideal gateway for mobile payment and O2O services. The Board believes that this Capital Injection Agreement will create strong synergy with the mobile payment and O2O strategies of the Group.

Last but not least, the Group is actively expanding the acceptance network to build a solid foundation for its future businesses. While the traditional prepaid payment service companies rely on bilateral negotiations with individual merchants to expand their networks, costing great amount of labour, time and resources, the Board believes that obtaining the Bank Identification Number (the "BIN business") is the optimum strategy. The BIN is obtained from major card associations such as MasterCard Incorporated or China UnionPay, and can enable a card to be accepted throughout the network of the respective card associations in one stroke. After a thorough vetting process, in April, 2014, the Group submitted the formal application for MasterCard Incorporated prepaid principal membership. Once granted, the Group can issue prepaid cards with MasterCard BIN and serve Chinese outbound travelers' huge demand for fast and convenient cross-border payment solutions. In the meantime, the Group is seeking BIN businesses with other more strategically relevant leading card associations.

With all the above-mentioned arrangements in place, the Group is prepared to quickly introduce a stream of market-leading innovative products as soon as the Possible Investment materializes.

In the meantime, the Group will continue to develop cross-border e-commerce solution business by increasing the sales and marketing efforts and by investing in essential IT infrastructure that will enable the sector's fast expansion.

The Directors consider the above are in line with the business strategy of the Group. The Group will continue to seek new opportunities, including but not limited to electronic payment, trading and settlement platforms, aiming to diversify the income stream base and enhance the profitability of the Group and therefore to increase the value of the Company.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 March 2014.

CORPORATE GOVERNANCE

Throughout the year ended 31 March 2014, the Company has complied with the code provisions in the Code on Corporate Governance Practices in Appendix 15 to the GEM Listing Rules with exception of the following deviation:

Chairman and chief executive officer

The code provision A.2.1 stipulates that the roles of the chairman of the Board (the "Chairman") and the chief executive officer (the "CEO") should be separate and should not be performed by the same individual.

For the period from 1 April 2013 to 7 November 2013, Mr. Cheng Nga Ming Vincent ("Mr. Cheng") was the Chairman and responsible for the duties of the CEO of the Company. Mr. Cheng has about 18 years of experience in financial sector. The Board considered that vesting the roles of Chairman and CEO in Mr. Cheng provided the Group with consistent leadership in the development and execution of long-term business strategies. On 7 November 2013, Mr. Fung Weichang, an executive Director of the Company, was appointed as the CEO of the Company whilst Mr. Cheng remained as the Chairman of the Company. On 11 March 2014, Mr. Cheng resigned as the Chairman of the Company and Mr. Zhang Huaqiao, a non-executive Director of the Company, was appointed as the Chairman of the Company to fill the vacancy after the resignation of Mr. Cheng.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the required standard of dealings as set out in Rules 5.46 to 5.67 of the GEM Listing Rules as the code of conduct regarding the Directors' securities transactions in securities of the Company. Having made specific enquiry of all Directors, each of the Directors has confirmed that he/she has complied with the required standard of dealings as set out in the adopted code of conduct regarding Directors' securities transactions from 1 April 2013 to 31 March 2014.

AUDIT COMMITTEE

The audit committee of the Company comprises Dr. Yuan Shumin, Mr. Wang Yiming and Mr. Lu Dongcheng, all of whom are independent non-executive directors of the Company, with written terms of reference in compliance with Rules 5.28 and 5.29 of the GEM Listing Rules. Dr. Yuan Shumin was appointed as the chairman of the audit committee on 19 May 2014. Mr. Lu Dongcheng and Mr. Wang Yiming were appointed as the members of the audit committee on 2 August 2013 and 8 October 2013 respectively.

REVIEW OF THE FINANCIAL INFORMATION

The audit committee of the Company has reviewed with the management the accounting principles and practices adopted by the Company and discussed auditing, internal control and financial reporting matters including the review of the consolidated financial statements of the Group and the annual report for the year ended 31 March 2014.

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 March 2014 have been agreed by the Company's auditor, Mazars CPA Limited ("Mazars"), to the amounts set out in the Group's consolidated financial statements for the year. The work performed by Mazars in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Mazars on the preliminary announcement.

By order of the Board
China Smartpay Group Holdings Limited
Zhang Huaqiao
Chairman

Hong Kong, 23 June 2014

As at the date of this announcement, the Board comprises (i) five executive directors, namely, Mr. Cheng Nga Ming Vincent, Ms. Cheng Nga Yee, Mr. Cao Guoqi, Mr. Fung Weichang and Mr. Xiong Wensen; (ii) one non-executive director, namely, Mr. Zhang Huaqiao; and (iii) three independent non-executive directors, namely, Mr. Wang Yiming, Mr. Lu Dongcheng and Dr. Yuan Shumin.

This announcement, for which the directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in this announcement misleading.

This announcement will remain on the “Latest Company Announcements” page of the GEM website at www.hkgem.com for at least 7 days from the date of its posting and on the Company’s website at www.ocg.com.hk.